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PINR, NI

SUBJECT: NIGERIA: BIWEEKLY POL/ECON UPDATES FOR MAR 17-31,
2008

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¶1. (U) Following is a joint Embassy Abuja-ConGen Lagos compilation of March 17-31, 2008 political/economic highlights, which did not feature in our other reporting, covering:

-- Election Tribunals
-- PDP Politics
-- Niger Delta
-- National Assembly
-- Labor
-- Economic News
-- Military Affairs
-- Oil and Gas

ELECTION TRIBUNALS

¶2. (U) KEBBI: Reports surfaced March 27 alleging a "former" Chief Justice has been interfering in the proceedings at the Kaduna Court of Appeals, which is set to rule on whether to uphold the Kebbi State Election Tribunal decision to quash the April 2007 election of Usman Dakin-Gari (People's Democratic Party, PDP) as governor. Counsel to the Independent National Electoral Commission (INEC) dismissed the allegations as baseless; however, opposition politicians from the All Nigeria People's Party (ANPP), among others, maintain that the appeal court's unwillingness to set a date for final judgment one month after closing arguments were heard suggests that the appeals court may be compromised.

¶3. (U) EDO: On March 20, the Edo State Election Tribunal overturned the election of Governor Oserheimen Osunbor (PDP) in favor of former president of the Nigerian Labor Congress Adams Oshiomhole (Action Congress, AC). According to press reports, the court ruled in Oshiomhole's favor because he received more legitimate votes than did Osunbor. A Lagos contact present during the six-hour ruling told PolOff March 25 that the number of legitimate votes was determined by subtracting fraudulent and "invalid" ballots (neither signed nor stamped by polling officials) from figures provided by INEC. Media sources report over 260,000 PDP and 30,000 AC

votes were invalidated. Osunbor has said he will appeal the ruling. In the interim, the AC and Labor Party (LP) have begun preliminary discussions on setting up a new government.

¶4. (U) OGUN: A Court of Appeals overruled the decision by the Ogun State Election Tribunal to dismiss the petition of gubernatorial aspirant Ibukunle Amosun (ANPP). Arrangements for a new trial are under way.

¶5. (U) ONDO: The Ondo State Election Tribunal ruled that some ballot papers be recounted. Olusegun Mimiko (LP) had contested results in four local government areas, requesting a recount of the ballots he claimed had been arbitrarily awarded to incumbent governor Olesugon Agagu (PDP). Agagu objected to the motion, claiming that the ballots could have been tampered with since the election, but the Tribunal permitted a recount.

¶6. (U) OSUN: The Osun State Election Tribunal allowed video evidence of alleged vote rigging but denied the motion of gubernatorial aspirant Rauf Aregbesola (AC) to allow a forensic expert to testify on voting irregularities based on fingerprint analysis.

¶7. (U) OYO: On March 20, a split decision by the tribunal judges in Oyo State affirmed the election of Governor Alao-Akala (PDP). While deducting 93,000 votes from the ANPP and PDP candidates for irregularities, the Tribunal ruled that this did not change the fact that Governor Akala still received a majority of the votes with a geographical spread of at least one quarter of votes cast in two thirds of Oyo's local government areas.

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PDP POLITICS

¶8. (U) The PDP National Working Committee met March 18 and resolved to implement the recommendations of the Ekwueme Reconciliation Panel, particularly the welcoming back of G-34 party founders pushed out during the Obasanjo era, and reconsideration of the Board of Trustees chairmanship. National Chair Vincent Ogbulafor dissolved the Governing Board of the People's Democratic Institute chaired by Bode George, which was reconstituted only six weeks ago by outgoing party chair Ahmadu Ali.

¶9. (U) Former Finance Minister and PDP founding member Adamu Ciroma rebuffed an invitation to rejoin the party's Board of Trustees (BOT) in protest over Obasanjo continuing as BOT Chair. Aggrieved members of the PDP, led by anti-Obasanjo forces within the so-called G-21, requested that Ogbulafor convene a special convention to amend the PDP's constitution with respect to BOT chairmanship provisions.

NIGER DELTA

¶10. (SBU) On March 24, the Nigerian Army's Joint Task Force (JTF) engaged two speed boats carrying 12 militants in Okrika, Rivers state. The Overseas Security Advisory Council (OSAC) claimed that four militants were killed and the JTF managed to intercept a barge carrying stolen diesel fuel.

¶11. (SBU) On March 21, a fire caused an explosion on a navy ship near Port Harcourt, Rivers state. Two naval officers died during this incident. The Movement for the Emancipation of the Niger Delta (MEND) claimed responsibility for this attack, a claim OSAC sources dispute.

¶12. (SBU) OSAC sources confirmed to the Lagos RSO that the JTF conducted operations in Warri, Delta state on March 19 to search and recover weapons munitions. On March 20, a civil society contact told Lagos PolOff that the JTF was raiding homes in a predominantly Itsekiri neighborhood in search of

weapons. This contact speculated an increase in weapons could be attributed either to upcoming local government elections or to the anticipated crowning of an Urhobo King whom the Itsekiri do not recognize as their paramount ruler.

¶13. (U) According to Nigerian press reports, a barge owned by the German firm Julius Burger and five Nigerian crew members were released March 17 after being held captive for five days in Rivers state. Press reports claim no ransom was paid for their release and no information on the perpetrators was provided.

¶14. (U) The trial of Delta militant Henry Okah began April 4 in Jos, Plateau state. Some press reports claimed that other Delta militants, possibly including released militant Dokubo Asari, have been enlisted as witnesses for the prosecution in exchange for huge cash payments.

¶15. (U) The President of the Movement for the Survival of the Ogoni People (MOSOP), Ledum Mitee, issued a letter to the Niger Delta Development Commission (NDDC) in Rivers State to express the Ogoni people's displeasure with the NDDC's 2008 project budget in Rivers State. The letter accuses the state NDDC office of providing Ogoni local government areas the fewest number of projects with the least monetary value, and offers the NDDC a draft of the Ogoni Development Master Plan should the NDDC wish to identify the project priorities of the Ogoni.

NATIONAL ASSEMBLY

¶16. (U) The Senate announced it will begin reviewing and making amendments to the 1999 Constitution. Majority Leader Teslim Folarin said the number of amendments may be limited

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to 12, including such contentious issues as state creation, derivation, and immunity for governors and the President. Folarin attributed the failure of the 2006 amendment process to the attempt to address too many issues concurrently.

¶17. (SBU) On March 25, the Governors' Forum announced that six, and possibly more, states of the Nigerian federation have begun the process of enacting Fiscal Responsibility and Public Procurement Acts in line with Abuja's directive to ensure accountability and transparency at the state-level. The Acts are geared toward combatting corruption, and are modeled after similar legislation pending at the National Assembly. The legislation has to pass through each state assembly before it is considered law in that state. State governments, which may derive significant revenue from the Federation Account, often lack the capacity, technical prowess, and political will to ensure that funds are properly and usefully managed and allocated. A dearth of reliable infrastructure, access to water, and lack of revenue-generating industries and plans have impaired the economic growth of many states, and made several reliant solely on federal funds to carry out state projects.

LABOR

¶18. (U) During a dinner attended by Lagos PolOff, Peter Esele, President of the Petroleum and Natural Gas Senior Sector Association of Nigeria (PENGASSAN), warned oil companies and the media that PENGASSAN would conduct a nationwide strike if Mobil Oil Nigeria did not negotiate the proposed firing of approximately 100 workers (including branch executive officers and the national treasurer of the union). Since this announcement, the Federal Ministry of Labor and Productivity have been in negotiations with PENGASSAN and Mobil Oil.

¶19. (SBU) A senior executive at an international oil company told Lagos EconOff that a strike by truck drivers against

Texaco Nigeria has ended. The unrest, which had been going on since mid-January was started after Texaco fired a truck contractor for violating safety rules. The executive claimed that Texaco made no concessions and the contractor was not re-hired as demanded by the union.

ECONOMIC NEWS

¶20. (U) Cost of Doing Business in Nigeria: In its Survey Report for March 2008, the International Monetary Fund (IMF) reported that Nigeria's private sector pays seven times more for power, compared to its global competitors. The cost of doing business in Nigeria has considerably increased due to limited power supply and high transportation costs.

According to the IMF, the dilapidated state of the country's infrastructure is the main impediment to growth. The report contended that the private sector should ultimately be the driver of growth, employment creation, and poverty reduction in Nigeria.

¶21. (U) Development Credit Authority Program: Ambassador and USAID Mission Director signed a Memorandum of Understanding with two Nigerian banks, Bank PHB and Skye Bank on March 17, as part of a partnership agreement to implement Development Credit Authority (DCA) programs in Nigeria worth \$11 million.

The DCA allows the USG to issue partial loan guarantees to small and medium enterprises to pursue agricultural development goals.

¶22. (U) Hunger Problems: Minister of Agriculture and Water Resources reported that over 65% of Nigerians lack sufficient access to the amount and variety of food required for healthy living because food supplies don't meet demand. This situation leaves Nigeria highly vulnerable to famine and increases poverty. The Minister reported that some of the factors hampering food supply were weak agricultural

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services, overdependence on rain-fed agriculture, general market failure, poor rural road network and inadequate storage facilities.

¶23. (U) NCC Thank You: In a March 18 meeting with Nigerian Copyright Commission (NCC) staff and the Embassy, Director General Adewopo thanked the USG for the continued support for building capacity within his agency. Through the Global Intellectual Property Academy in Virginia, the USG has supported training for more than 10 NCC staffers in the last 12 months. Adewopo acknowledged the positive effects the training has had on his agency and looks forward to working with the USG on upcoming July training in Lagos supported by the Department.

¶24. (U) Lekki Free Trade Zone: Lagos EconOffs visited the Lekki Free Trade Zone (FTZ), under construction by an engineering firm based in Nanjing, China. The on-site supervisor told EconOffs that Lagos Governor Fashola has asked that a portion of Phase 1 be completed by May 29, to allow for a formal opening of the project. Construction of factory buildings from imported materials, will begin in June, the on-site supervisor said. According to the supervisor, an Italian food processing firm and two local oil companies, among others, have expressed interest in establishing within the FTZ.

¶25. (SBU) Airport Work Stalled: Work on the Akwa Ibom Airport has again been suspended because of the state government's failure to pay, says US company DynCorp, the primary contractor building the airport. Company contacts told Lagos PolOff that government checks delivered to DynCorp's office came with instructions to not immediately deposit them. While the company has stopped operations, subcontractors continue to work at Governor Akpabio's insistence. The Akwa Ibom Finance Commissioner told DynCorp April 3 that the state will remedy the payment shortfall. DynCorp has said that if

the situation is not resolved by April 10, it will terminate the contract.

¶26. (U) Economics of Nigeria's OIC Membership: Nigerian press reported March 31 that Nigeria assented to membership in the Organization of the Islamic Conference (OIC) for economic gain. Umar Ahmad, an official of the national Islamic body Jama'atu Nasril Islam, which is headed by the Sultan of Sokoto, claimed former president Obasanjo actively and publicly sought Nigeria's admission into the OIC (despite the fact that Nigeria joined in 1986 under former head of state Ibrahim Babangida). Ahmad claimed that Obasanjo saw enormous potential for economic development and investment for Nigeria should it accede to full OIC member status. (Note: President Yar'Adua was the first Nigerian head of state to attend an OIC Islamic Summit, having been there for the one recently held in Dakar March 12-14. Press coverage of Yar'Adua's trip generally has been positive. End Note.)

¶27. (U) IDB to Help Launch Nigeria's First Islamic Bank: On March 31, the Islamic Development Bank (IDB), the development arm of the OIC Finance Committee pledged to give \$21 million to aid Ja'iz International Bank to begin operations in Nigeria. In addition to the pledged funds, the IDB will also aid in technical capacity building, trade, finance, and credit lines.

MILITARY AFFAIRS

¶28. (U) President Yar'Adua has approved an increase in the allowances of Nigerian troops on peacekeeping missions, from \$600 to \$1028. The increase is aimed at helping improve troop welfare and morale, and was pushed for by Chief of Army Staff General Luka Yusuf.

OIL AND GAS

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¶29. (U) On March 30, five employees of local oil firm Express Gas and Oil Limited were kidnapped off the coast of Ondo State. According to press reports, the kidnappers were youth from communities near the company's fields. Under a court injunction to halt suspected graft, Express Oil had stopped funding community development projects through local associations and community leaders. The hostages were freed March 31.

¶30. (U) Aviation Jet-A fuel shortages returned March 26. Flights across the country were delayed or cancelled as airlines scrambled to find adequate supplies. A previous shortage was blamed on fuel that did not meet specifications. The cause for this most recent shortage remains unclear.

¶31. (SBU) A contact at a downstream European oil company told Lagos EconOff that he believes operations at Nigeria's two working refineries are not sustainable and the refineries had been rushed into operation to ease political pressure on Nigerian National Petroleum Corporation Acting Group Managing Director Abubakar Yar'Adua. The refineries returned to service earlier this year although they are reported to be working at only 60% capacity. According to the contact, turn around maintenance was not performed on the refineries before they restarted and he expects them to be out of service again some time this summer.

SANDERS